

**REPORT OF THE AUDIT OF THE
PULASKI COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

May 25, 2004



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
PULASKI COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES

May 25, 2004

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2003 Taxes for Pulaski County Sheriff as of May 25, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$13,845,012 for the districts for 2003 taxes, retaining commissions of \$482,467 to operate the Sheriff's office. The Sheriff distributed taxes of \$13,344,606 to the districts for 2003 Taxes. Refunds of \$1,795 are due to the Sheriff from districts.

Comment and Recommendation

- The Sheriff's Deposits Were Uninsured And Undercollateralized By Bank Securities Or Bonds

Deposits:

The Sheriff's deposits were uninsured and undercollateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Darrell BeShears, Pulaski County Judge/Executive

Honorable Todd Wood, Pulaski County Sheriff

Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the Pulaski County Sheriff's Settlement - 2003 Taxes as of May 25, 2004. This tax settlement is the responsibility of the Pulaski County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Pulaski County Sheriff's taxes charged, credited, and paid as of May 25, 2004, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Darrell BeShears, Pulaski County Judge/Executive

Honorable Todd Wood, Pulaski County Sheriff

Members of the Pulaski County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Deposits Were Uninsured And Undercollateralized By Bank Securities Or Bonds

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

Audit fieldwork completed -

January 14, 2005

PULASKI COUNTY
TODD WOOD, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES

May 25, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,105,771	\$ 1,266,611	\$ 6,306,556	\$ 2,714,907
Tangible Personal Property	109,109	150,435	481,382	778,200
Intangible Personal Property				389,528
Increases Through Exonerations	3,100	3,614	18,951	9,230
Franchise Corporation	119,687	159,035	592,070	
Additional Billings	2,298	2,582	15,691	5,548
Oil and Gas Property Taxes	382	437	2,664	923
Limestone, Sand, and Mineral Reserves	642	735	4,483	1,553
Bank Franchises	184,219			
Penalties	9,169	10,811	52,725	21,255
Fire Acres	955			
Adjusted to Sheriff's Receipt	180	1,731	2	(1,709)
Gross Chargeable to Sheriff	<u>\$ 1,535,512</u>	<u>\$ 1,595,991</u>	<u>\$ 7,474,524</u>	<u>\$ 3,919,435</u>
<u>Credits</u>				
Exonerations	\$ 19,216	\$ 22,120	\$ 130,509	\$ 56,954
Discounts	20,656	19,812	93,495	53,819
Delinquents:				
Real Estate	23,635	27,073	145,262	57,154
Tangible Personal Property	504	702	3,475	4,537
Intangible Personal Property				876
Bankruptcy	60	84	421	86
Total Credits	<u>\$ 64,071</u>	<u>\$ 69,791</u>	<u>\$ 373,162</u>	<u>\$ 173,426</u>
Taxes Collected	\$ 1,471,441	\$ 1,526,200	\$ 7,101,362	\$ 3,746,009
Less: Commissions *	<u>62,824</u>	<u>64,863</u>	<u>195,287</u>	<u>159,493</u>
Taxes Due	\$ 1,408,617	\$ 1,461,337	\$ 6,906,075	\$ 3,586,516
Taxes Paid	1,405,331	1,457,988	6,900,238	3,581,049
Refunds (Current and Prior Year)	<u>1,954</u>	<u>2,324</u>	<u>9,493</u>	<u>5,963</u>
Taxes Due Districts (Refund Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 1,332</u>	<u>\$ 1,025</u>	<u>\$ (3,656)</u>	<u>\$ (496)</u>

* and ** See Next Page

The accompanying notes are an integral part of this financial statement.

PULASKI COUNTY
TODD WOOD, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES
May 25, 2004
(Continued)

* Commissions:

10% on	\$ 10,000	\$ 1,000
4.25% on	\$ 6,733,649	\$ 286,180
2.75% on	\$ 7,101,362	\$ 195,287

** Special Taxing Districts:

Library District	\$ 593
Health District	268
Extension District	<u>164</u>
Due Districts	<u>\$ 1,025</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENT

May 25, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 12, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$2,528,434 of public funds uninsured and unsecured.

PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENT
 May 25, 2004
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 12, 2003:

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	6,878,496
Uncollateralized and uninsured	<u>2,528,434</u>
Total	<u><u>\$ 9,506,930</u></u>

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 2003, through May 25, 2004.

Note 4. Interest Income

The Pulaski County Sheriff earned \$3,629 as interest income on 2003 taxes. As of January 14, 2005, the Sheriff owed \$912 in interest to the school districts and \$600 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Pulaski County Sheriff collected \$74,990 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of January 14, 2005, the Sheriff had overpaid \$165 in 10% add-on fees, which is now due from the fee account.

Note 6. Advertising Costs And Fees

The Pulaski County Sheriff collected \$3,851 of advertising costs and \$8,210 of advertising fees allowed by KRS 424.330(1). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office. As of January 14, 2005, the Sheriff owed \$11 in advertising costs to the County.

Note 7. Deficit

There is a deficit of \$741 in the 2003 tax account. This deficit is the result of prior year auditors carrying back 2003 tax money to the 2002 tax year. Since this deficit did not result from missing money during the 2003 tax year, auditors have allowed the Sheriff to offset this deficit against the 2003 tax commissions due to the Sheriff's fee account.

COMMENT AND RECOMMENDATION

PULASKI COUNTY
TODD WOOD, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

As of May 25, 2004

STATE LAWS AND REGULATIONS:

The Sheriff's Deposits Were Uninsured And Undercollateralized By Bank Securities Or Bonds

On November 12, 2003, \$2,528,434 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

Our pledges will meet our funds in our depository institution at all times in future.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Darrell BeShears, Pulaski County Judge/Executive
The Honorable Todd Wood, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Pulaski County Sheriff's Settlement - 2003 Taxes as of May 25, 2004, and have issued our report thereon dated January 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pulaski County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Pulaski County Sheriff's Settlement - 2003 Taxes as of May 25, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff's Deposits Were Uninsured And Undercollateralized By Bank Securities Or Bonds



The Honorable Darrell BeShears, Pulaski County Judge/Executive
Honorable Todd Wood, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 14, 2005

